SYNOPSIS

On

Study of Personal Financial Practices and Behavior of Working Millennial in Mumbai With Respect To Its Impact on Their Investment Decisions

FOR REGISTRATION TO THE DEGREE OF DOCTOR OF PHILOSOPHY
IN THE FACULTY OF COMMERCE

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1. Introduction

1.1. About Financial Planning

Personal financial planning is the process through which an individual moves towards meeting personal and financial goals through the development and implementation of a comprehensive financial plan which consist risk management i.e. insurance planning, income tax management, retirement planning, estate planning, child education planning, and investment management. Financial planning is explicit to every individual, as no two individuals have identical financial goals nor their incomes are same. Every individual has varied sets of background, income, expenses, risk taking ability, future outlook, assets, needs, financial situation, knowledge, responsibilities, etc**.** Post-Liberalization India has undergone many socioeconomic changes. Increase in per capita income, increase in a life span of an average person, changing social structure from joint family to nuclear ones and lack of robust social security system; ask for a change in the management of personal finance of an individual.

A study in **ET Wealth *research*[1]** in 2019, involving 22 financial planners and wealth managers reveals, the top five goals of an average Indian family included children's education, marriage, buying a house and a car and saving for retirement in 2009 has severely changed. According to planners now in 2019, international vacation records prominently in the list, with almost every participant in the study identifying it as a key goal of their clients. Travel apart; investing in health, buying expensive gadgets, luxury cars and club memberships, entrepreneurship and early retirement has emerged as the other offbeat goals Indians wish to pursue in 2020.

Also developments of online cab services, online shopping and around the day food delivery, people have got into the habit of spending more, without ascertaining the necessity. Unregulated use of credit cards, taking personal loans and falling prey to cash back offers are key mistakes that individuals make today. These could lead them into a cesspit of debt. These increased expenses and new life goals necessitate a change in financial planning strategy to prevent overspending and falling into a debt trap.

[1] Kulkarni, P. (2019, September 30). Financial planning: Financial goals are changing: Do you really know the future expenses you need to save for? Retrieved from https://economictimes.indiatimes.com/wealth/plan/financial-goals-are-changing-do-you-really-know-the-future-expenses-you-need-to-save-for/articleshow/71347114.cms

1.2. Need for Personal Financial Planning:

- **Inflation-** Indians are wise savers but poor investors (Visa 2012). Indians save money into traditional risk free products like Bank FD, Saving Bank Account, Insurance. This may not be sufficient to overcome the impact of increase in inflation. Therefore, a well balanced personal financial plan is required to protect the investors from the impact of inflation.
- **Longer life span-** People lives a longer retired life now, as compared to the earlier generations. Now people start earning by the time one reaches the age of 22 years, work till the age of 50 years and live till around 70 years. In such a case, one earns for 25-27 years and lives off the retirement savings for the next 17-20 years. So an individual work and earns for 25 years to support post-retirement life of 15 years. Hence, one needs to create an adequate corpus for retirement when expenses continue but income seems to be drying.
- **Proliferation of numerous products-** The Indian investor has a number of investment options coming now and then to choose from. Some are traditional investments that have been used across generations like real estate, gold, and fixed deposits while some are relatively newer options that have become popular in recent years like Mutual Funds, equity trading, Portfolio Management Schemes, National pension plan, and Unit Linked Insurance. Since there are so many types of investment vehicles, it is normal for an investor to get confused while calculating returns and risk of each of them. Hence, it becomes difficult for investors to select the right financial product to tailor their needs as many of them lack financial education and knowledge.
- **Escalating level of borrowings-** People's borrowing levels have increased as a result of easy access to loans in today's financial markets. If not carefully handled, this could result in a significant mismatch between earnings and payback, causing cash flow issues.

The Financial plan considers your personal circumstances, objectives and risk acceptance. It acts as a guide in helping choose the right types of investments to fit one’s needs, expected returns, and goals.

1.3. Financial Planning in India

As per RBI report of the Household finance committee 2017[2], the average Indian household holds 84% of its wealth in real estate and other physical goods, 11% in gold and the residual 5% in financial assets. Also, the majority of savings of older generation lie in Fixed Deposits and PPF accounts which are low interest earning and sometimes don't even cover inflation. Hence real returns are negative. Following are the findings according to Indian RBI's statistical data on Indian Households Savings & Investments (2017-18)

- The Gross Financial Savings during 2015-16 & 2016-17 were Rs 15,207 billion and Rs 14,048 billion. The savings in Physical Assets were around Rs 12,700 & Rs.13900 billion during 2015-16 and 2016-17 respectively. As per the data for 2017-18, around Rs 18,800 billion were invested in financial assets.
- The above recent years data clearly indicates that there has been a slight uptick of savings in Physical Assets which count more than 75% of savings and steep increase of savings in Financial Assets *(2017 Vs 2018).*

The movement towards financial investment is visible through above data. More Individuals are moving to newly introduced financial assets but still the investment in physical asset is maximum. As per RBI officials *"More households have to be brought into the financial system. And aim for a healthy mix of financial and physical assets. Channelling household's savings into the financial markets is imperative".* This is only investment part, Indians lack retirement planning too. People still haven't understood the benefits of creating a financial plan under professional advice, because individual investing goals should be adequately separated into short, medium, and long term financial planning and investments are made with suitable study. Appropriate allocation in various instruments should be done according to time period and purpose.

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[2] Chakravarty, M. (2017, August 29). The precarious state of Indian household finances. Retrieved September 11, 2020, from https://www.livemint.com/Opinion/u5gwrDBZ62JstkSDqdg1wI/The-precarious-state-of-Indianhousehold-finances.html

1.4. Financial Planning and Working millennials in mumbai

Each generation is unique. Each generation has different characteristics in terms of size, educational levels, technological capabilities, and racial composition. *Very importantly, each enters adulthood in a different historical period, a different job market and a different economic situation*. However, as each generation matures, gains experience managing money, increases their savings, and prepares financially and in other ways for retirement, they follow pretty typical patterns.

The Millennial Generation is the generation of children born between 1981 and 1996. As of 2016, there are 411mn working millennials in India, according to the UN's Population database, accounting for 30.6% of the country's total population, well ahead of any other age group. In India, millennials are 34% [3](at 440 million) of the country's total population. The last few years have seen India become the world's largest millennial market, drawing attention from across the world to Indian millennials. Millennials in India, unlike in other countries, are among the main breadwinners of their households.

Millennials are stereotyped to-"buy now, pay later" and typically not saving enough for retirement or planning emergency fund. Their financial management is vital to the Indian economy being a major part of the population they are the economic driver of it. "Millennials are also much more likely to use contemporary forms of {a} investments- self made mutual fund, bitcoins, etc and {b} payment—including pre-paid debit cards and mobile payments." millennials don't create a personal budget and spend most of their money on entertainment and luxuries. Buying homes and retirement plans are not their priority.

Money habits of Indian Millennials: -

1. Research conducted by ICICI revealed, the favorite pastime of the millennial generation is travel. And 87% of affluent Indian millennial holiday overseas at least once every year.
2. They also spend a big amount on restaurant orders and on-line shopping

[3] https://timesofindia.indiatimes.com/blogs/voices/the-rise-of-the-indian-millennial/

Why do ‘‘Millennials’ need to plan their finances?

- Huge Debt due to huge spending on travel and online shopping through retail loans or credit cards
- Lack of financial education and skills for investment
- Lack of financial security due to uncertainties in the economy
- Availability of numerous financial investments products
- Postponing retirement goals

Millennials being a largest generation of India’s population, carry the potential to redefine India’s investment and consumption story, which will play a critical role in shaping our country’s economy in every era. Good financial health is needed to stay afloat during an unprecedented financial crisis. The ongoing pandemic has been one of the best examples for millennials to understand why financial planning is must. Millennials have a different perspective on financial planning and have only recently realised its importance.

Indian Millennials are financially self-sufficient, and sound investment methods will aid in the management of their hard-earned cash. Aside from regular income, investments can significantly enhance cash flow. They can protect their family's financial well-being with effective financial planning.

Mumbai like other metropolitans is home to more than 50 lakh employees in India, headquarters of major firms and offer top-notch infrastructure makes it more convenient for working residents.

2. Literature Review

A review of prior literature is an essential feature of any academic research. An effective review lays foundation for advanced research. It facilitates new theory development and uncovers the areas where research is needed (Jane, 2002).

Williams A. (2008) has explained the importance of financial planning and literacy of college students. Objective of his study was to identify the common mistakes done by the students when first starting to deal with their financials. Study found that mistakes done by majority of the students who graduate are due to lack of financial knowledge; they delay the repayment of student loans, accumulation of unnecessary debt, high credit card debts and their failure to save.

Ming Lei, wei- Khong Tan (2009) has examined attitudes of Malaysians towards Financial Planning. The study encompasses money management, insurance planning, investment planning, retirement planning and estate planning. Study showed that people manages money seriously. They are very careful with their money and manage it effectively. In comparison to Indians and Malay respondents, Chinese respondents scored higher on money management.

Lusardi A. (2009) in her paper stated that Financial Literacy has positive causal impact on investments and saving behaviour. The study also concludes financial literacy increases the awareness for importance of savings and planning for retirement.

Preeti Kulkarni (2012) has published in Economic Times , based on the survey done by HDFC and Value Notes. According to survey, Young India (age group of 20 – 30) years attain low score on financial awareness and Planning. There is a lack of financial planning awareness, as well as the fact that their financial planning is not in line with their financial goals. This is due to a lack of understanding of financial events.

Dr. Sunil Karve* & Mrs. Hemadeogharkar (2016) has explained the need of financial planning for individuals. Objectives of the study were to study the pattern in which individual allocates their savings and to understand the awareness of investor about investment avenues. Study found that, while most respondents feel both that financial planning is important and that they are interested in developing a financial plan, very few feel that they have the necessary knowledge to prepare their own plan.

Dr. Avni patel submitted recently thesis on" *A Study of Awareness, Attitude and Factors influencing Personal Financial Planning for Residents of Gujarat" where the research was conducted among 600 people of Gujrat and found* Respondents of Gujarat have basic financial literacy. They believe in saving and are awarded about all traditional Investment Avenues. And Attitude towards Overall PFP is Positive. Attitude towards Retirement Planning & Estate Planning is low. Respondents feel that their Personal Financial Plan is not objective and they need expert to deal with the same.

A NewYork based certified financial planner, **Mr. Douglas A. Boneparth** who is also now head of CNBC Digital Financial Advisor Council, 2018, and CFP Board Ambassador for New York, too agree that segmenting population based on generations will widen the target and will be easy to advise based on their generational behaviour and attitude. He was so convinced that he ended up writing a book named ***The Millennial Money Fix*** where he explains about the financial habits of Millennials and also advises them how to plan their finances wisely.

Many of the financial planners in India have also considered this study significant and presented articles on the same. An Indian certified financial planner Mr. Suresh Sadagopan, founder, Ladder7 Financial Advisories said in the interview with Livemint on 21 December, 2018 that 'Our firm also initiated segmenting customers by generations because he found that investment pattern and risk pattern and financial habits of same age cohorts are similar'. He also said that's when working millennials plan for investments and tax planning. "The vast majority of them succumb to herd mentality and purchase insurance policies to save money on taxes or participate in post office savings programmes." They do it because their parents, family members, or friends did it to them. They are financially illiterate and are unaware of the significance of personal financial strategies. In India a certified Investment planner and Head writer at Mint Money, **Mr. Ashwini Kumar** recently wrote on "How Millennial Investing Trends Differ from Their Parents' dated 14 Jan 2019, in this article he has explored the prominent investment pattern by current generation into traditional financial vehicles such as bank deposits, gold due to their parents influence. And the changing trend of some working millennials generation who are opting for information out on internet and professionals and has started investing in tax savings as well as in return-oriented plans.

3. Statement of problem

The present study will research the personal financial planning practices amongst working Millennials in Mumbai. It will be inclusive of about their level of knowledge regarding financial investment options, their preferred investment products, components of their financial plan (i.e. insurance planning, retirement planning, tax planning) and whether millennials seek assistance while developing their financial plan, and if yes, whom they approach for such help and if they seek professional help than what will be the criteria for selecting a financial planner. In the end, the study will also provide suitable financial planning practices regarding their investment and spending for each generation in consultation with certified financial planners in Mumbai.

The study is designed to answer underneath questions:

- How financial practices influences the investment decisions and spending habits of working millennials and its impact on economy.
- How does working millennials identify financial risk and security, and are the different generations aligned with each other or not?
- Which investment options are preferred most by working millennials?
- Which source of receiving financial advice do they value more – from parents or a professional advisor?

4. Aims and Objectives

The research study serves the following purposes:

- To study the personal financial planning practices and habits of working millennials in Mumbai.
- To study the attitude of working millennials towards personal financial planning in Mumbai.
- To discover the need and importance of implication of personal financial planning practices by working millennials.
- To compare the personal financial practices of other generations in align with millennials.
- To explore the challenges faced by working millennials while developing financial plan.
- To discover whom working millennials approach for financial advice.

5. Hypothesis

$(H_0)_1$ - The financial planning behaviour and attitude by investors is independent of demographic characteristic of the individual.

$(H_1)_1$ - The financial planning behaviour and attitude by investors is dependent on demographic characteristic of the individual.

$(H_0)_{2-}$ Choice of different Investment avenues differs significantly with respect to the generation of the respondents.

$(H_1)_2$ - Choice of different Investment avenues does not differ significantly with respect to the generation of the respondents.

$(H_0)3_-$ Professional Financial advisors do not help in securing financial future of millennials.

$(H_1)_3$ - Professional Financial advisors help in securing financial future of millennials.

6. Rationale of Study

The financial planning of Millennial has raised great concerns in ***India as it is home to 40crore Millennials, the highest millennial population in the world,*** says a wealth report published by Julius Baer, one of the largest wealth management firms in the world. Millennials account for more than 55% of the total Indian population. Working millennials are making more money and also spending more than their previous generations, as stated in ET money dated 7th august, 2018. It raises the fear of consumer-related financial distress in the economy due to excessive spending on online shopping and luxuries, traveling abroad, higher education cost, vehicle loans, and credit card debt levels. Indeed, the personal finances of the millennial generation are more closely linked to the state of the economy than those of any previous generation.Therefore, creating a secure financial future are extremely important for them and for the economy at large.

In present scenario, financial planning in India is an area that gains momentum, as according to The Aviva Plan India Plan survey, 2018, "Indians lack the discipline to create strong financial plans that would secure their futures, thus exposing themselves to unnecessary risks". The focus on the generations can be of substantial interest as every specific generation don't only share same age but also share a history, common culture, beliefs, values and a set of experiences that influenced their lives. It is a new approach to market segmentation which is implemented in every field whether its economics, marketing or finance. So to deal with the larger part of Indian population the study has chosen working millennials.

From the secondary data it is obvious that widely held of the studies in the area of financial literacy and Personal Financial Planning have been done in western countries but in India, very few widespread studies have been done on Personal Financial Planning. This provides me the opportunity to take up the comprehensive study that will assess the need, awareness and practices related to personal financial planning amongst Millennials of Mumbai.Since Millennials lack adequate personal financial management skills and have high levels of indebtedness the proposed research has an opportunity to intervene and help. The study of the differences in adoption of and perceptions about financial planning among different generations will help creation of such financial product or services which serve them better and also bring investment in the economy.

7. Research Methodology

Research design and Sampling:

For purpose of fulfilling the objectives defined earlier Descriptive Research Design is considered most suitable. Hence it will be adopted for conducting the study. Sampling Unit of the research will be individuals born 1980 to 1996 who are working and staying in the Mumbai region. Non Probability technique of selecting sample will be used for the study. The sampling method used will be Random Sampling. For collecting the interviews, Structured Interviews will be conducted.

Collection of data

Data would be collected with the help of surveys, interviews, and questionnaires. The survey would be done in two parts. The first part would be done with the help of working millennials to understand their awareness of personal financial planning in Mumbai.

The second part would be undertaken with the help of financial planners and investment planners to understand which financial practices & habits will help millennials to achieve their goals. Also, challenges planners face while creating plans for other and millennial generation. Apart from collecting information from primary sources, an extensive review of literature will be undertaken through various books, research reports, periodicals, journals, government publications and also web media.

Tools employed

Various Statistical tools will use such as fast statist, SPSS, AVONA, T-test etc. With the help of tables Pie charts Histogram and Structured Tables will use in Explanation to bring the point more clear.

STATISTICAL ANALYSIS

a. Scaling Techniques: scaling, describes the procedure of accessing number of various degrees of opinion , attitude and other concepts
b. A popular and appropriate Statistical method will be adopted for Acheiving the objectives of study and to find out the relevance of Hypothesis

8. Expected Outcome

The present study will provide guidelines to working millennials in creating their financial plans by educating them about the process and components of a financial plan. It will also act as a roadmap to achieve their financial goals by advising suitable financial habits. The research primary aim is to make investors aware and motivate them towards healthy financial habits and explore the association of financial habits and the selection of investment avenues and investment objectives of the investors.

The research will help financial planners and investment advisors, to better understand the attitude, behaviour and financial goals of different generations. So they can assist and guide them accordingly to achieve their goals.

The analysis covered in the study will help SEBI, RBI, and, Banks & other financial institutions who conduct financial awareness seminars in the country regarding the attitude of generations towards investments for planning their campaigns.

The fact that working millennials will be the largest client group is a challenge faced by all finance companies inclusive of insurance, financial advisors, investment advisors, etc. subsequently it is essential that these companies find ways to connect with working millennials, to sell their policies and products. This research will do that part of helping companies in targeting both generation individuals and designing advertising and promoting products in the manner required by them.

This research will be assisting generations in making their financial plans. It will equip them with knowledge about money, and influencing their attitudes toward making rational financial decisions and reducing their financial risk and uncertainties. And it is said that Balanced Personal Financial Plan also plays a vital role for Financial Well Being of an individual and country at a large.

9. Tentative Chapter Scheme

The sequence of contents will be as follows:-

Chapter No.	Contents
1.	Introduction
2.	Literature Review
3.	Research Design
4.	Data Analysis And Interpretations
5.	Suggestions and Recommendations
6.	Conclusions And Scope For Further Study
	Appendix
	Biblography

10. References

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